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TRS Plan 2: Summary of Selected Benefits

Eligible for Retirement	<p>TRS Plan 2 provides for a retirement benefit when you are:</p> <ul style="list-style-type: none"> -- Age 65 or older, if you have at least 5 service credit years. See page 10. -- Age 55 but younger than 65, <ul style="list-style-type: none"> • If you have at least 20 service credit years. Prior to age 65, the benefit will be actuarially reduced. • If you have at least 30 service credit years, the benefit reduction is considerably less than the actuarial reduction at 20 years. See page 11.
How Service Credit is Accumulated	You earn twelve service credit months for each school year (September 1 through August 31) in which you work in the month of September and work at least nine months. It is possible to earn service credit in smaller increments. See page 5.
Service Credit for Military Time	You may be eligible to receive service credit for time spent in the military. To qualify you must have left retirement-covered employment to enter active military service on or after January 1, 1990. See page 6.
Average Final Compensation or AFC	Your AFC is the monthly average of your 60 consecutive highest-paid service credit months. Not included are payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation or annual leave. See page 10.
Benefit Formula	$2\% \times \text{Service Credit Years} \times \text{your AFC} = \text{Monthly Benefit}$ See page 10.
Benefit Limitation	There is no percentage limitation on the size of your retirement benefit.
Contribution Rates	TRS Plan 2 contribution rates are set by the Pension Funding Council. These rates may be changed as necessary to reflect the cost of the Plan.
Disability Retirement	If you become totally incapacitated for continued employment with a covered employer, and leave that employment as a result of the disability, you may be eligible for a disability retirement benefit. See page 13.
Death in Service Survivor Benefit	<p>If you have less than 10 years of service and are not eligible to retire, your contributions plus interest will be paid to your beneficiary(s).</p> <p>If you have at least 10 years of service or are eligible to retire, your spouse or guardian of your minor children can choose between a monthly benefit or a lump sum payment of member contributions plus interest. See page 14.</p>
Cost of Living Adjustment	On July 1 of every year following your first full year of retirement, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle), to a maximum of 3 percent per year. See page 13.

Plan 2

This handbook describes your retirement benefits under Plan 2 of the Washington State Teachers' Retirement System (TRS). The Plan is designed to be an important source of income that — along with Social Security benefits (if eligible), personal savings and other investments — will help pay your living expenses when you retire.

Highlights

Here is a brief summary of the Plan's provisions.

- The Plan provides for a retirement benefit at age 65, if you have at least five service credit years. Reduced benefits are available as early as age 55, if you have at least 20 service credit years.
- The Plan provides disability benefits and survivor benefits if you meet the Plan's age and service requirements.
- You and your employer both contribute toward your future benefits.
- You may remain a member of the Plan even if you transfer to another public school in Washington.
- Your contributions are refundable only if you leave Washington State school employment. If you withdraw your contributions, you lose your right to future benefits. You can restore your contributions and reestablish your benefits under certain circumstances.

- If you are a dual member, you may be able to combine service credit with that earned in certain other Washington State retirement systems in order to qualify for retirement.

Inform your employer of previous TRS membership

When you begin work for your first TRS-covered employer, you will be asked to complete an Enrollment form and a Beneficiary Designation. Once enrolled, you should not have to complete another Enrollment form for a TRS-covered employer. The Enrollment form provides DRS the information needed to ensure that incoming pension data is routed to your account. The Beneficiary Designation is the document that directs payment of your pension account if you die before retirement. If you want to change your beneficiary, simply submit a new Beneficiary Designation form. The form is available through your personnel or payroll office or can be downloaded from the DRS Internet site. See page 19.

Summary Description

The actual rules governing your benefits are contained in state retirement laws. This handbook is a summary, written in less legalistic terms. It is not a complete description of the law. If there are any conflicts between what is written in this handbook and what is contained in the law, the current law will govern.

Am I a member of the plan?

Who is a member?

All public school “teachers” hired into an eligible position on or after October 1, 1977, and before July 1, 1996, are covered by TRS Plan 2, unless they opt to transfer to TRS Plan 3. An eligible position normally requires five or more months of 70 or more hours of compensated employment from September through August. If you established membership in TRS *before* October 1, 1977, you are covered by Plan 1, even if you terminated your membership and withdrew your contributions.

“Teacher” means any person who is qualified to teach and is employed by a public school as an instructor, administrator or supervisor. This includes:

- Educational service district superintendents and their assistants,
- State, school district and educational service district employees who are certificated by the Washington Superintendent of Public Instruction, and
- Any full-time school doctor who is employed by a public school and who renders instructional or educational services.

Substitute teachers should request the publication, *The Substitute Teacher's Guide to Obtaining Service Credit*, to determine their participation status. This is available from your employer or DRS and can be downloaded from the DRS Internet site. See page 19.

Membership exclusions

If you are already receiving retirement or disability benefits from a public employer in Washington, you may be prohibited from joining this Plan. If

this applies to you, contact the Department of Retirement Systems (DRS). See page 18. Information is also available in the brochure, *Thinking About Working After Retirement?*, which may be obtained from your employer or TRS and is available on the DRS Internet site. See page 19.

Who pays for my benefits?

Defined benefit plan

Your future benefits are funded by contributions made by you and your employer during your period of membership and the investment earnings from those contributions. These contributions are held in trust and invested by the State Investment Board.

Your Plan is a defined benefit plan structured under Section 401(a) of the Internal Revenue code. This means that at retirement you will receive a benefit based on your service credit and final average salary. The amount of your contributions will not be a factor in the calculation of your retirement benefit.

Your contributions

You are required to contribute a percentage of your “earnable compensation” to TRS. The contribution rate is set by the Pension Funding Council and may be changed as necessary to reflect the cost of the Plan. “Earnable compensation” means salaries or wages earned during a payroll period for personal services, including overtime and tax-deferred wages, if any. Not included in earnable compensation are lump-sum payments for unused sick leave, unused vacation leave, or any form of severance pay.

If you are regularly employed in an eligible position, your contribution is deducted from your paycheck each pay period before federal income taxes are withheld and is then forwarded to TRS.

Since September 1984, your contributions that were made through payroll deductions have not been taxed. Retirement benefits are taxable income.

Substitute teachers have the option to join TRS and pay contributions at the end of the school year. For more information, see the publication, *The Substitute Teacher's Guide to Obtaining Service Credit*, which is available through your personnel office or from DRS and the DRS Internet site.

Withdrawal of contributions

If your employment with the Washington State public schools ends, you may request a withdrawal of your contributions, plus interest. This is the only circumstance in which a refund is permitted. Employer contributions are not refunded. For more information, see "Withdrawing your contributions" on page 7, or refer to the DRS publication, *Withdrawal of Retirement Contributions*.

How is my service counted?

Service credit

The amount of your retirement benefit depends upon your time in service and your earnable compensation. Service credit is based on the total compensated time spent in an eligible position and reported by your employer on your behalf.

You earn twelve service credit months for each school year (September 1 through August 31) in which you:

- Begin working in September,
- Work nine months, and
- Receive earnable compensation for 810 or more hours.

You earn six service credit months for each school year in which you:

- Begin working in September,
- Work nine months, and
- Receive earnable compensation for at least 630 hours but fewer than 810 hours.

You earn a service credit month for any calendar month in which you receive earnable compensation for at least 90 hours. The 90 hours may be earned with one or more employers. Beginning September 1, 1991, you receive $\frac{1}{2}$ service credit month for any calendar month in which you receive compensation for fewer than 90 but at least 70 hours. You receive $\frac{1}{4}$ service credit month for fewer than 70 hours in a calendar month. No more than one month's service credit may be earned for each calendar month worked, regardless of the number of employers for whom you work.

EXAMPLE:

Calculating service credit

Suppose you taught full time starting with the 1994-95 school year and continuing through the end of the 2001-02 term — six full years. Then you reduced your hours. During the 2001-02 school year, your hours and service credit were as follows:

	HOURS	SERVICE CREDIT MONTHS
September	140	1
October	140	1
November	0	0
December	0	0
January	70	$\frac{1}{2}$
February	120	1
March	100	1
April	110	1
May	120	1
June	40	$\frac{1}{4}$

July	0	0
August	0	0
TOTAL	840	6 ³ / ₄

Although you worked more than 810 hours in the 2001-02 term, you did not work nine months, so you would receive six and ³/₄ service credit months for your work in September, October, January, February, March, April, May, and June. Total service credit for the period beginning with the 1990-91 term and ending with the 2001-02 term would be six years, six and ³/₄ months.

Claiming credit for substitute teaching

If you work as a substitute teacher and are not under an annual contract, your employer(s) will advise you quarterly of the amount of service you performed. To receive credit for your service, you must apply after August 31. For more information see the publication, *The Substitute Teacher's Guide to Obtaining Service Credit*. You can get a copy from your employer or DRS. You can also view the publication at the DRS Internet site. See page 19.

Service credit for other employment

It is possible to receive TRS service credit when working for a TRS-covered employer in a non-teaching position. This can only occur if you retain your teaching position while engaged in the other employment. You may also combine TRS service credit with service credit earned in certain other Washington State retirement systems in order to qualify for retirement. For information on utilizing service credit from other systems, see "What if I've previously been a member of another retirement system?" on page 8.

Military service

You may be eligible to receive up to five years of service credit for military service by paying member contributions for the time spent in the

military. To qualify you must have left TRS-covered employment to enter active military service and entered the military on or after January 1, 1990. In addition, you must apply for re-employment with the same employer within 90 days after an honorable discharge. You must complete payment of these contributions prior to retirement or five years from the time you resume employment, whichever comes first.

Leave of absence

You may earn service credit for an unpaid leave of absence authorized by your employer. Service credit for a leave of absence is limited to a maximum of two years during your working career.

To obtain service credit for unpaid leave, you must return to work in a TRS-eligible position, and pay both member and employer contributions, including interest for both, for the time on leave. Contributions are based on the average of your compensation earnable at the time you were granted the leave and at the time you resume your employment. Application for recovery of service credit for authorized leave must be in writing to DRS, PO Box 48380, Olympia, WA 98504-8380. Include your Social Security Number, retirement system and plan, and a daytime telephone number in your letter. Payment must be completed prior to retirement or within five years of returning to employment, whichever comes first.

Vesting

You have a vested right to a retirement benefit after you earn five or more service credit years. "Vesting" means you have earned the right to a future benefit, even if your covered employment ends. However, if you withdraw your contributions and terminate your membership, you give up your right to retirement benefits.

Election or appointment to office

A member who is elected or appointed to a state elective position may continue to be a member and continue to receive service credit for the time spent in an elective position by making the required contributions. Contact DRS to continue membership.

What if I leave my job?

Leaving your current, TRS-eligible job before you retire may have an impact on your benefits. The nature of the impact depends on whether you are vested in TRS, where you are next employed, and whether you withdraw your contributions from TRS.

Withdrawing your contributions

If you leave TRS-covered employment, you may withdraw the contributions you made to TRS. Withdrawal of your contributions cancels all rights and benefits you may have accrued in TRS. You can learn more by reading the DRS publication, *Withdrawal of Retirement Contributions*. The publication includes a withdrawal form and is available from your personnel or payroll office, DRS, or the DRS Internet site. See page 19.

Processing a withdrawal may require 60 to 90 days. You are not eligible to receive a withdrawal if you resume employment with a covered employer before payment is made. If you receive a payment under these circumstances, you must return it to DRS immediately.

Tax implications of withdrawing your contributions

Under federal law, any lump-sum withdrawal of tax-deferred retirement funds is subject to a withholding tax of 20 percent. The 20 percent withholding requirement can be avoided only if the funds are transferred directly from TRS to a qualified tax-deferred retirement account.

You can find more about this requirement by reading *Withdrawal of Retirement Contributions*, a DRS information and application packet that is available through your employer or DRS.

Federal tax law also may require that you pay a 10 percent penalty, in addition to regular income tax, on the tax-deferred and interest portions of contributions that you withdraw before you reach age 59½. You may avoid the tax penalty by rolling these funds into a qualified tax-deferred retirement account.

DRS is required to report all withdrawals to the Internal Revenue Service (IRS). It is your responsibility to account for the withdrawal on your tax return.

For more information on the tax consequences of withdrawing your contributions, contact the IRS or your tax advisor.

Leaving your contributions in the plan

You have the option of leaving your contributions in the Plan. At present your contributions are earning 5.5 percent interest annually, compounded quarterly. If you leave your contributions in the Plan and later return to a TRS-covered position, you retain the service credit for the earlier period of employment.

If you leave a TRS-eligible position and leave your contributions in the Plan, keep TRS informed of your current name, address and beneficiary.

Washington State public schools

If your next job is in a covered position with another public school in Washington State, your membership and service credit will continue.

What if I've previously been a member of another system?

Dual membership

If you have been a member of more than one retirement system, you may qualify as a dual member, even if your membership in another system has been terminated.

A dual member is one who:

- Is currently an active member of TRS, Public Employees' Retirement System (PERS), Law Enforcement Officers' and Fire Fighters' (LEOFF) Plan 2, the Washington State Patrol Retirement System (WSPRS), or the city retirement system for Tacoma, Seattle, or Spokane, and
- Has previously been a member of one or more of the systems above, or the Statewide City Employees' Retirement System (SCERS) in addition to his or her current system, and
- Has never been retired for service and is not currently receiving a disability retirement benefit from any public retirement system in the state of Washington.

Service credit for dual members

As a dual member, you may combine service credit from any of the above retirement systems to qualify for retirement. For example, if you are a TRS Plan 2 member, 50 years old, and have five TRS service credit years, and also have 25 service credit years in PERS Plan 1, you have a total of 30 service credit years — enough to retire immediately.

If you combine service credit to achieve eligibility for retirement but you are not old enough to retire from one of the systems:

- You may postpone receipt of that retirement benefit until you are eligible for an unreduced benefit, or
- You may retire immediately with an actuarially reduced benefit. See “How does early retirement affect my benefit?” on page 11.

EXAMPLE:

Combined service credit

Suppose you are a TRS Plan 2 member, are 55 years old and have 13 service credit years. If you also have seven PERS Plan 1 service credit years, you have a total of 20 service credit years — enough to retire with a reduced benefit. The provisions of each plan determine the amount of your benefit from each plan and when each benefit can begin.

Dual members have the opportunity to restore service credit. They may also substitute compensation earned in another system when calculating their average final compensation. See “Calculating benefits for dual members” on page 10.

Can I reestablish credit for past service?

You may reestablish service credit for earlier periods of TRS-covered employment, even though you may have withdrawn your contributions and terminated your membership for that period. You may also establish service credit for U.S. military service that interrupts TRS service and unpaid approved leave of absence. More information for establishing service credit for time spent in these endeavors can be found under “Establishing other creditable service.”

Restoring TRS service credit

To restore withdrawn service credit in this Plan, you repay the total amount withdrawn, plus

interest, by the statutory deadline. The statutory deadline is within five years of the date you return to service, or before you retire, whichever comes first.

Payment must be completed by the statutory deadline, or your service cannot be restored under this statute. You may complete repayment even if you leave public employment again, but you must meet the **original** deadline. You can learn more about restoring service credit by obtaining the DRS publication, *Can I Recover Withdrawn or Optional Service Credit?* from your employer or DRS. This publication is available at the DRS Internet site. See page 19.

Establishing other creditable service

To establish service credit for military service that interrupts TRS service or for unpaid, approved leave of absence, you must submit documentation verifying military service or leave approval and complete payment of the required amount within five years of resumption of TRS service, or before retirement, whichever comes first.

For more information, contact DRS toll-free at 1-800-547-6657 in the Olympia area call (360) 664-7000.

Restorations for dual members

If you are a dual member and wish to restore service credit in a system other than TRS, you must repay the amount withdrawn, plus interest, within two years of becoming a dual member or before you retire, whichever comes first. The provisions governing dual membership do not permit you to partially restore any single withdrawal, or restore contributions and reestablish service credit in a system in which you are currently a member unless you are otherwise entitled to do so.

To receive a billing for restoration of service credit, write to DRS at the address shown on page

18. Include the following information in your letter:

- Your name, Social Security Number, address and daytime phone number,
- The system in which you want to restore service credit, and
- The approximate dates of each withdrawal and the periods of employment each represents, and the name(s) of the employer(s).

Purchasing service credit

It is still possible to purchase withdrawn or optional service credit after the statutory deadline has passed. The cost for purchasing service credit after the deadline date is considerably more expensive. You can learn more about the purchase of service credit by obtaining the DRS brochure, *Can I Recover Withdrawn or Optional Service Credit?* This publication is available at the DRS Internet site. See page 19.

Out-of-state teaching service

A vested TRS member may use service credit earned in another state's public school teachers' retirement system to qualify for retirement. (See vesting on page 7.) If you elect to use out-of-state credit to move up your retirement date, your benefit will be actuarially reduced to reflect the earlier retirement. If the out-of-state credit raises your service credit total to 30 years or more, the early retirement reduction rate will be significantly reduced. (See "How does early retirement affect my benefit" on page 11.) Out-of-state service is not used in the calculation of your TRS benefit.

Using sick leave to qualify for retirement

You may use up to 45 days of unused sick leave to help you qualify for retirement. Sick leave not cashed out by your employer may be converted to a maximum of two months of service credit.

This service credit is not used in the calculation of your benefit. It can only be used to qualify for retirement.

What is my service retirement benefit?

Eligibility

Your service retirement benefit depends on your average final compensation and your service credit years when you retire. You are eligible to retire if you:

- Are age 65 or older and have at least five service credit years, or
- Are at least age 55 and have at least 20 service credit years.

If you retire before age 65 or choose a survivor option, your benefit will be “actuarially reduced.”

“Actuarially reduced” means benefit payments are reduced based on factors provided by the Office of the State Actuary. These factors are derived from statistics about life expectancy and projections about the Plan’s investment earnings. An actuarial reduction is necessary when benefits are scheduled or guaranteed to be paid over a longer period of time than would normally be the case.

Benefit formula

Your monthly service retirement benefit is calculated using the following formula:

TRS Plan 2 Benefit Formula

$$\begin{array}{c} 2 \text{ percent} \\ \times \\ \text{service credit years} \\ \times \\ \text{average final compensation} \end{array}$$

“Average final compensation” is your average earnable compensation for your highest 60 consecutive service credit months. Not included are payments for any type of severance pay, such as lump-sum payments for deferred sick leave, vacation or annual leave. There is no limit on the number of service credit years included in the benefit calculation.

EXAMPLE:

Retirement at age 65

Suppose you retire at age 65 with 35 service credit years. Your average final compensation is \$4,300. Your monthly retirement benefit will be \$3,010. Here is how it is calculated:

$$\begin{array}{rcl} 2\% \times 35 \text{ years} \times \$4,300 & & \\ 2\% \times 35 \text{ years} & = & .70 \\ .70 \times \$4,300 & = & \$3,010 \end{array}$$

This calculation results in the standard benefit. It will be lower if you choose to continue benefits to a survivor upon your death. See page 12 for a description of your benefit options.

Calculating benefits for dual members

The service retirement benefit for dual members is the sum of the benefits they have earned separately from each system. Dual members with a total of five or more service credit years from all systems are entitled to a benefit from each system, even if they have less than five service credit years in any of the systems. If they are not old enough to retire under the rules of the retirement system, an actuarial reduction in the benefit amount may be necessary.

When determining average final compensation, dual members may choose whether to use:

- Their compensation from each system (as defined in that system) to determine that system’s benefit, or

- The highest “base salary” from any system, whichever produces the better benefit.

Base salary is the salary or wages you earned, excluding overtime, lump-sum cashouts, severance pay and bonuses.

EXAMPLE:

Dual member benefits

Suppose you are 65 years old and have three service credit years from PERS Plan 1 and 13 service credit years with TRS Plan 2. Without dual membership, your PERS service would be too short to earn you a PERS benefit. With your TRS service, however, you have more than the five-year minimum needed for vesting, and you receive credit for your PERS service. You will receive a benefit from each system, calculated according to the rules of each system as follows:

PERS Plan 1:

$$\begin{aligned} &2\% \times 3 \text{ PERS service credit years} \\ &\times \text{average final compensation} \div 12 \text{ months} \\ &= \\ &\text{PERS benefit} \\ &\text{(plus)} \end{aligned}$$

TRS Plan 2:

$$\begin{aligned} &2\% \times 13 \text{ TRS service credit years} \\ &\times \text{average final compensation} \div 12 \text{ months} \\ &= \\ &\text{TRS benefit} \end{aligned}$$

How does early retirement affect my benefit?

If you have at least 20 service credit years, you may retire as early as age 55. Your benefit will be actuarially reduced to reflect the fact that you are likely to be receiving your benefit over a longer period of time. Reductions are prorated based on the length of time before age 65 your benefits begin. Once you attain 30 years of service credit (which can include qualified out-of-state service credit – see page 9), the benefit reduction is set at 3 percent per year you are under age 65.

The table below provides the approximate reductions in effect on September 1, 2002. Your benefit is determined by the percentage in effect at the time your benefits start.

Age at retirement	20 to 29 years of service – benefit as a percentage of age 65 benefit.	30+ years of service – benefit as a percentage of age 65 benefit.
55	37%	70%
56	40%	73%
57	43%	76%
58	49%	79%
59	55%	82%
60	61%	85%
61	67%	88%
62	73%	91%
63	82%	94%
64	91%	97%
65	100%	100%

Early retirement (age 55) example on page 12.

EXAMPLE

Retirement at age 55

Suppose you retire at age 55 with 25 service credit years and average final compensation of \$3,500. Because you are retiring early, your benefit is 37 percent of what it would be at age 65 if you retired with the same service credit and average final compensation. Your monthly benefit of \$647.50 is calculated as follows:

$$\begin{aligned}2\% \times 25 \text{ years} \times \$3,500 \times 37\% \\2\% \times 25 \text{ years} &= .50 \text{ (50\%)} \\ .50 \times \$3,500 &= \$1,750.00 \\ \$1,750 \times 37\% &= \$647.50\end{aligned}$$

Suppose you work another five years. Your benefit at age 60 – assuming you have five additional years of service, for a total of 30 service credit years, and the same average final compensation – would be \$1,785 per month.

$$\begin{aligned}2\% \times 30 \text{ years} \times \$3,500 \times 85\% \\2\% \times 30 \text{ years} &= .60 \\ .60 \times \$3,500 &= \$2,100 \\ \$2,100 \times 85\% &= \$1,785\end{aligned}$$

What are my benefit options?

When you apply for a service or disability retirement, you must select a benefit option. If you are married, the law requires that you provide the written consent of your spouse to the benefit option you choose. Consent must be in writing and must be notarized. **If consent is not provided, law requires that an Option 3 benefit be paid with your spouse as beneficiary.**

OPTION 1

Standard Option

This option pays you a benefit for your lifetime. If you die before the total benefits you receive equal your contributions plus interest at the date of retirement, the balance will be paid in a lump sum to your named beneficiary.

OPTION 2

Joint and 100 percent survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, the benefit amount remains the same and your beneficiary continues to receive it for his or her lifetime.

OPTION 3

Joint and 50 percent survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 50 percent of your benefit is paid to your beneficiary for his or her lifetime.

OPTION 4

Joint and 66.67 percent survivorship

This option provides a benefit that is actuarially reduced. If your designated beneficiary survives you, 66.67 percent of your benefit is paid to your beneficiary for his or her lifetime.

Changing a benefit option after retirement

Once you retire you may change your benefit option and beneficiary only by returning to active membership, **except in the following circumstances:**

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit will be adjusted to the higher Option 1 payment

level. If your beneficiary dies before you, be sure to notify DRS.

- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to Option 1 at any time after retirement. This option can be used only one time and is irrevocable.
- If you retire under Option 1, then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only one time and is irrevocable.

Lump sum payment instead of a monthly benefit

If your monthly benefit will be less than \$50, you may choose to take payment in a lump sum. To determine the lump sum, the projected value of your lifetime benefit will be compared to the total of your contributions plus interest. The greater amount will be paid to you. Anyone receiving such a payment is considered retired from TRS. Only members who retire early for disability, have minimal service credit, or retire as dual members are likely to receive this payment.

Can my benefit increase after I retire?

On July 1 of every year following your first full year of retirement for service or disability, your monthly benefit will be adjusted by the percentage change in the Consumer Price Index (CPI-U, Seattle), to a maximum of 3 percent per year.

What if I become disabled before I retire?

Eligibility for disability retirement

If you become totally incapacitated for continued employment with a public school district, and leave that employment as a result of the disability, you may be eligible for a disability retirement benefit. Benefits will not be paid until you have separated from service.

If you are receiving a disability retirement benefit, you will be subject to comprehensive medical examinations as required by TRS. If these examinations reveal that you have recovered from your disability, and you are offered employment by a school district or state agency at comparable pay, you will no longer be eligible to receive a disability retirement benefit.

Disability retirement benefit

The disability retirement benefit, including survivor options, is determined by the same formula as a service retirement benefit, described on page 10. This benefit is actuarially reduced to reflect your age at the time benefits begin.

Disability withdrawal of contributions

A disabled member who has terminated employment has the option of withdrawing his or her contributions plus interest, and terminating membership in the Plan. This would cancel all rights and eligibility for future benefit payments.

More information

For more information about your disability benefits, ask your employer or TRS for the brochure, *TRS Disability Benefits*. This brochure is available on the DRS Internet site. See page 19.

What if I work after retirement?

Your benefits may be affected if you return to work for a Washington public employer after retirement. In some cases, depending on the position and the extent to which you work, some or all of your retirement benefits may be suspended, and you may be required to make contributions to a retirement system.

Before you return to work, please call TRS to determine how your benefits will be affected. You can also find a summary of post retirement work requirements in the brochure, *Thinking About Working After Retirement?* available from your employer or DRS. This publication is also available on the DRS Internet site. See page 19.

What benefits do my survivors receive?

If you die after retirement

If you die after you begin a service or disability retirement, your survivors are eligible to receive benefits based on the retirement option you chose.

If you die before retirement

If you die before retirement, your designated beneficiary, spouse or minor children are eligible for the following benefits. These benefits are also payable to survivors of members who leave TRS-covered employment but do not withdraw their contributions.

Fewer than 10 service credit years and ineligible to retire. If you die before you have 10 service credit years and before becoming eligible for retirement, your beneficiary receives all of your contributions, plus interest.

Ten or more service credit years or eligible to

retire. If you die with 10 or more service credit years or after becoming eligible to retire, your surviving spouse, and if none, the guardian of your minor children, may choose between the following two benefits:

- Payment of your contributions, plus interest, or
- A monthly benefit calculated as if you had:
 - Elected Benefit Option 2, **and**
 - Separated from service on the date of your death.

If your spouse dies while receiving a survivor's retirement benefit and leaves a minor child or children, the children will continue to receive the benefit that was being paid to your surviving spouse. The benefit will be shared equally among the children and paid until they reach the age of majority (18).

If you have no surviving spouse or minor children, your remaining member contributions are paid in a lump sum to your designated beneficiary.

If there is no surviving spouse at the time of your death, and you have minor children, their guardian will choose between the two benefit options.

Designating a beneficiary

As an active member, you should keep your beneficiary designation in your TRS record up-to-date.

To change your beneficiary, you must submit a beneficiary designation form to DRS. Forms for this purpose are available from your payroll department and DRS. This and other forms are available on the DRS Internet site. See page 19.

At retirement, if you choose an Option 1 benefit payment, you may name a trust, your estate, an organization, or a person as your beneficiary.

However, if you choose a survivor benefit option at retirement, you must select a person as your beneficiary.

Once you retire you may change your benefit option and beneficiary only by returning to active membership, **except in the following circumstances:**

- If you choose one of the survivor options (2, 3, or 4), and your designated beneficiary dies before you, your retirement benefit will be adjusted to the Option 1 benefit level. If your beneficiary dies before you, be sure to notify DRS.
- If you choose someone other than a spouse to be the beneficiary of a survivor benefit, you can change to the Option 1 at any time after retirement.
- If you retire under Option 1 then marry and remain married for at least one year, you may change your benefit option and name your spouse as beneficiary. To qualify for this opportunity, you must request the benefit option change within one year of the anniversary of your first year of marriage. If you opt for a survivor option, your monthly benefit will be actuarially reduced. This option can be used only once and is irrevocable.

Can I transfer to TRS Plan 3?

Each January there is an open window of opportunity for TRS Plan 2 members to transfer to Plan 3. Because the initial transfer window has closed, members who choose to transfer will receive no additional transfer payment. Only the member contributions plus interest will be transferred to Plan 3 defined contribution accounts.

To be eligible for transfer to Plan 3, you must:

- Be employed in a TRS eligible position,
- Earn service credit during the January that you elect to transfer,
- Complete a Plan 3 Member Information form, and
- Submit the Member Information form to your employer on or before January 31 of the January that you elect to transfer.

Once you transfer to Plan 3, you cannot return to Plan 2 membership. Members retired from Plan 2 cannot transfer to Plan 3.

For more information about your personal account information or for more details on transferring to Plan 3, obtain a TRS Plan 3 Handbook and review the differences between the two plans. All publications and forms mentioned above are available on the DRS Internet site. See page 19.

Taxation and assignment of benefits

Federal income taxes

Most of your retirement benefit is subject to federal income tax. The only portion that is exempt from tax is the part that was taxed before it was contributed. Since September 1, 1984, your contributions that were made through payroll deductions have not been taxed.

After you retire, TRS will notify you of the portion of your contributions that has already been taxed. The IRS refers to this taxed amount as your “cost.” You must complete a W-4P form to tell DRS how much of your monthly benefit should be withheld for taxes. If you do not, DRS will follow IRS rules requiring withholding as if you are married and

claiming three exemptions. It is your responsibility to declare the proper amount of taxable income on your income tax return.

Assignment and attachment of benefits

Retirement benefits are not generally subject to assignment or attachment. However, payments received by you in the form of retirement benefits or as a refund of your contributions, may be subject to payment of court and administrative orders for spousal maintenance and child support, or payment of any orders authorized by federal law.

DRS is authorized to divide pensions between members and ex-spouses based upon court-ordered property division. If the divorce decree complies with the applicable law, TRS will send the property division payment directly to the ex-spouse. For more information, refer to the DRS brochure, *Can My Retirement Money Be Attached?*, which is available from DRS or your employer. The DRS Internet site also provides information on this subject. See page 19.

Why does DRS need my Social Security Number?

DRS requests that you provide your Social Security Number when you are conducting business with the agency. Internal Revenue Code Sections 6041 (A), and 6109 authorize DRS to solicit your Social Security Number.

- The disclosure of your Social Security Number to DRS is mandatory.
- DRS will use your Social Security Number to ensure that any amounts disbursed under your account are properly reported to the Internal Revenue Service and as a reference number for tracking all data with regard to your retirement account.

- DRS will not disclose your Social Security Number to any party unless required by law.

When should I start planning for retirement?

Planning for retirement is an on-going process. The sooner you start the more likely you are to enjoy a comfortable and successful retirement. Here are some simple things you can do to help build your retirement plan:

- As soon as possible, attend one of DRS' Retirement Planning Seminars. These full-day sessions feature qualified speakers on a number of retirement subjects and are free of charge. The dates and locations for these seminars are announced in the member newsletter, *Retirement Outlook*, and on the DRS Internet site (<http://www.wa.gov/DRS/drs.htm>).
- If military service interrupts your teaching career, submit a copy of your DD214 to DRS to determine if your active service is creditable.
- Calculate your future retirement benefit using the Benefit Estimator on the DRS Internet site (<http://www.wa.gov/drs/estimate-unix/index.htm>). You can run a variety of retirement scenarios to see what works best for you.
- Because there are statutory time limits on restoring contributions withdrawn from your state pension, obtain a copy of the DRS brochure, *Can I Recover Withdrawn or Optional Service Credit?* or access the publication on the DRS Internet site (<http://www.wa.gov/drs/member/pers/prest.htm>), and review the rules that apply to your situation.

As you get closer to retirement

Consider the following:

- Contact the Social Security office periodically to review your file's accuracy. The toll-free telephone number for Social Security information is 1-800-772-1213. You can also obtain valuable information about Social Security and Medicare by visiting the Social Security Internet Page (<http://www.ssa.gov>).
- Obtain a copy of Internal Revenue Service Publication 575, Pensions and Annuities, also available on the Internet (http://www.irs.gov/forms_pubs/pubs.html).
- If you are within a year of your retirement date, request an estimate of your benefit from DRS. DRS will return a retirement application with your estimate.

Applying for retirement

You can complete the entire retirement process through the mail. See DRS contact information below. If you prefer to visit DRS to review your account information and retirement options, Retirement Services Analysts are available to assist you. Please call for an appointment.

If you write to DRS for specific information about your pension account, be sure to provide your Social Security Number and signature.

Administrative information

Payment of retirement benefits

Your retirement benefit accrues from the first day of the month following the date you terminate employment. Your benefit is paid at the end of each month and, in most cases, can be deposited directly in your bank or credit union account.

Keep DRS informed of your mailing address

After you retire, it is important that you keep DRS informed of your current mailing address, even if you have your check deposited directly in your bank or credit union account. This way you can be assured of receiving information about your benefits and income taxes in a timely manner.

Administration of the system

The Teachers' Retirement System is administered by the Department of Retirement Systems (DRS). The Director of DRS is appointed by the Governor and is responsible for administering TRS.

Benefit adjustments

If you receive an overpayment of your retirement benefit or withdrawal, DRS will require that the overpayment be repaid.

If there is an underpayment, DRS will correct the error and pay you in full.

Petitions and appeals

Under DRS's internal review procedures, all "appeals" begin as "petitions." You may challenge a decision of a DRS administrator by filing a petition within 120 days of your receipt of the decision. A petition will be reviewed by DRS's Petition Examiner.

To file a petition, complete and submit a detailed statement of:

- The relief you are requesting;
- The facts relating to your petition, including any relevant documents or sworn statements which support your request for relief;
- The legal basis for your petition, including any relevant legal provisions or precedents;
- The name and address of your legal counsel,

if you choose to be represented; and

- Your name, address, Social Security Number, and signature.

The Petition Examiner will ask for relevant information from the involved parties. Usually, this means you, DRS, and possibly your employer. After review, the Petition Examiner will enter a written decision and mail that decision to you by certified mail.

Where to find more information

For more information about your rights and benefits under TRS Plan 2, write:

Department of Retirement Systems
Teachers' Retirement System
PO Box 48380
Olympia, Washington 98504-8380

Be sure to include your Social Security Number to allow identification of your account. If your question is complex, provide as much detail as possible.

An individual conference with a TRS counselor can also be arranged by calling our toll-free number: 1-800-547-6657. In the Olympia area call (360) 664-7000. Office hours are 8 a.m. to 5 p.m., Monday through Friday, except legal holidays.

Other DRS publications for TRS members

The following DRS publications can be obtained from your employer or by calling DRS.

All TRS publications are available on the DRS Internet site. <http://www.wa.gov/drs/drs.htm>

- *TRS Disability Benefits*
- *Thinking About Working After Retirement?*
- *The Substitute Teacher's Guide to Obtaining Service Credit*
- *Can My Retirement Money Be Attached?*
- *Can I Recover Withdrawn or Optional Service?*
- *Withdrawal of Retirement Contributions*
- *What Is Dual Membership and How Does It Affect Me?*
- *TRS Military Service Credit*

DRS telephone listing

Teachers' Retirement System

TDD Line (for hearing impaired) ... (360) 586-5450
Toll Free TDD Number 1-866-377-8895
Central Reception..... 1-800-547-6657
Olympia area callers..... (360) 664-7000

The receptionist will transfer you to an employee who can provide assistance in areas such as:

- Counseling appointments
- Retirement benefit estimates
- Final application for retirement
- Eligibility for membership
- Refunds (withdrawal of contributions)
- Restoration costs for withdrawn contributions
- Divorce settlements

Other DRS-administered retirement systems

- Public Employees' (PERS)
- School Employees' (SERS)
- Law Enforcement Officers' and Fire Fighters' (LEOFF)
- State Patrol Retirement System (WSPRS)
- Judicial Retirement System (JRS)
- Judges' Retirement Fund

Does DRS have an Internet site?

DRS maintains an Internet site that includes the most recent edition of this handbook and all other member publications for TRS and the other DRS-administered systems.

Also on the site:

- Recent issues of the member newsletter, *Retirement Outlook*,
- Information about recent retirement-related legislation,
- A benefit estimator that you can use for retirement planning purposes, and
- A variety of other information of interest to retirement system members and public employers in Washington State.

The address for the DRS site is:

<http://www.wa.gov/DRS/drs.htm>

You can contact DRS using e-mail

You can use e-mail to request specific information about your retirement system and plan, or your personal retirement account. When requesting information about your personal account, be sure to provide:

- Your name,
- Social Security Number,
- Retirement system and plan, and
- Daytime phone number.

Warning: Electronic mail messages on the Internet may not be secure. Your message may not be confidential; it may be possible for other people to read your e-mail message.

Contact DRS via e-mail: *recep@drs.wa.gov*

For information about obtaining a copy of this publication in an alternate format, contact DRS Publications at (800) 547-6657 ext. 47278. From the Olympia area, call (360) 664-7278.